**PREPARED DIRECT TESTIMONY
OF
HEIDI M. MUNSON
ON BEHALF OF
CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NOS. 00-0259,
00-0395, 00-0461, CONSOLIDATED**

ILLINOIS COMMERCE COMMISSION
AUG 30 2 02 PM '00
CHIEF CLERK'S OFFICE

Q1: Please state your name and business address.

A1: My name is Heidi M. Munson, and my business address is 300 Liberty Street, Peoria, Illinois 61602.

Q2: What is your current position at Central Illinois Light Company?

A2: I am employed by Central Illinois Light Company as Senior Pricing Administrator.

Q3: What is your educational background and work experience?

A3: I was graduated from Illinois Wesleyan University in 1994 with a Bachelor of Arts degree in economics and from Illinois State University with a Master's degree in economics in 1996.

I was initially employed by QST Energy, a deregulated affiliate of CILCO, in 1996 in the Economics and Planning Department. I was involved in utility tariff analysis and analyzing various pricing scenarios for target markets in various states. In 1998 I became an employee of Central Illinois Light Company (CILCO) as a member of the Sales Support Department. At that time, as a Senior Pricing Administrator, I focused on electric utility tariff analysis and determining competitive electric retail pricing.

In my current capacity, I am a member of the Sales and Marketing Business Unit and have responsibilities for load forecasting for the electric retail customers we are conducting business with outside of CILCO's service territory. In addition, I still am involved in electric utility tariff analysis and determining competitive electric retail pricing. For the past four years I have been directly involved in the electric retail customer choice market.

Q4: Please explain the purpose of your testimony.

A4: The purpose of my testimony is to discuss CILCO's position on the issues of adjustments to market value to account for load uncertainty and imbalance costs, and the time period of calculations of market value in the Market Index filings of Commonwealth Edison (ComEd), AmerenCIPS and Ameren UE (Ameren), and Illinois Power (IP).

Q5: Could you discuss the differences in adjustments needed to market value in moving from a Neutral Fact Finder market value approach to a market index approach to market value?

A5: The Neutral Fact Finder market value was based on actual electric contracts entered into between retail customers and suppliers. Based on my experience, the retail supplier would already have taken into account capacity and reserve costs, load uncertainty and imbalance costs in quoting a price to the customer. These are legitimate real costs. When the market value is based on energy-only indices, adjustments are needed to account for the additional actual costs, described above, that a retail supplier would incur when serving a customer. Otherwise the price understates the actual costs of supplying electricity to retail customers.

Q6: Is an adjustment to market value needed to take into account the cost of following uncertain load?

A6: The "Zuraski Adjustment" which Ameren, IP, and ComEd have implemented, adjusts market value for the price of following the customer's historic load shape by comparing customer or class load shapes to the hourly PJM historic price curve. However, it still does not account for the cost of following the uncertain portion of the customer's loads. That is, there is an amount of uncertainty in a customer's load due to weather and also unplanned operational changes. When weather or unplanned operational changes cause a change in actual usage as compared to forecasted usage for a customer, Suppliers are required to make good-faith efforts to schedule and deliver to the changed forecast. This is an actual cost of doing business in the retail market that the proposed market index would not take into account, and therefore an increase to the market index market value would be warranted.

Q7: Is an increase to market index market value for the costs associated with imbalances warranted?

A7: In lieu of the proposal to move from an NFF methodology of calculating market value to a market index based value, an adjustment for the cost of imbalances is something that the Commission should reconsider. Imbalance costs are real costs which are not accounted for in a published market index as they would, or should, be in an actual contract between a supplier and retail customer that the NFF would summarize. Commission Staff Witness Bruce Larson commented on this issue in Dockets 99-0117, 99-0134, and 99-0121, Commonwealth Edison's, IP's, and

Ameren's Petitions for Approval of their Delivery Service Tariffs, respectively. Staff's position was that in filings of updates to the market value and transition charges, utilities should include a credit to transition charges that would be equivalent to the actual imbalance charges collected over the last historic period. The Commission's conclusion in those cases was that imbalance revenue is a delivery service revenue and the appropriate place to account for it is in delivery service revenue as opposed to market value. The Commission should reconsider this position in lieu of the proposal to move from an NFF to a market index market value. Imbalance charges are a real expense incurred by suppliers which should be added to market value as opposed to delivery service revenue.

Q8: What are the differences in the time periods for calculating market value between the filings of ComEd, Ameren, and IP?

A8: ComEd and Ameren each have two applicable time periods and they both propose to update Market Value twice a year, in March for the June – May time period (Period A), and in July for the September – May time period (Period B). Updating market values only twice a year causes less customer confusion and allows customers a longer time frame to make a decision based on known values. IP's proposal is to update market values on a monthly basis. In comparison, such a proposal causes customers to make a quicker decision based on the current known values and may complicate the customer decision-making and hinder competition. To give a more specific example, let's suppose a customer is in Bill Cycle 2 and their meter read date is on the first of the month. If they leave their Bundled Rate, the Transition Charges applicable to them would be published on the 8th business day of the previous month.. A DASR would be due 10 business days before the next monthly meter read in order for the customer to switch from their Bundled Rate. That leaves about a week between when Transition Charges are published on the 8th business day of the month and the 10 business day DASR window for a customer to make an informed decision to switch suppliers. In our experience with customers, this is not sufficient time to go through the proper decision-making channels. It rushes the customer to decide. Therefore, competition may be hindered.

Q9: Ms. Munson, does this conclude your prepared direct testimony?

A9: Yes, it does.